

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Southern Cal Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education (Before September 2007 election)

Jim Brown	President	2007
Tommy Campbell	Vice President	2007
Alan Wedemeyer	Board Member	2009
Larry Irwin	Board Member	2009
Mark Schleisman	Board Member	2008

Board of Education (After September 2007 election)

Jim Brown	President	2010
Tommy Campbell	Vice President	2010
Alan Wedemeyer	Board Member	2009
Larry Irwin	Board Member	2009
Mark Schleisman	Board Member	2008

School Officials

Eric Wood	Superintendent	2008
Carol Collins	District Secretary/ Business Manager	2008
Brian Gruhn	Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Southern Cal Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District, Lake City, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

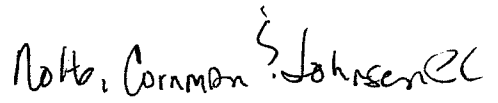
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2009 on our consideration of Southern Cal Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southern Cal Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southern Cal Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,428,271 in fiscal 2007 to \$4,755,499 in fiscal 2008, while General Fund expenditures increased from \$4,632,728 in fiscal 2007 to \$5,055,314 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$595,118 in fiscal 2007 to a balance of \$300,904 in fiscal 2008, a 49.44% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local sources such as property tax and tuition fees charged to other Districts for open enrollment. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- As of June 30, 2008, the District's solvency ratio is 6.19% as compared to 13.3% for the previous year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southern Cal Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Southern Cal Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Southern Cal Community School District acts solely as an agent or custodian for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Southern Cal Community School District Annual Financial Report

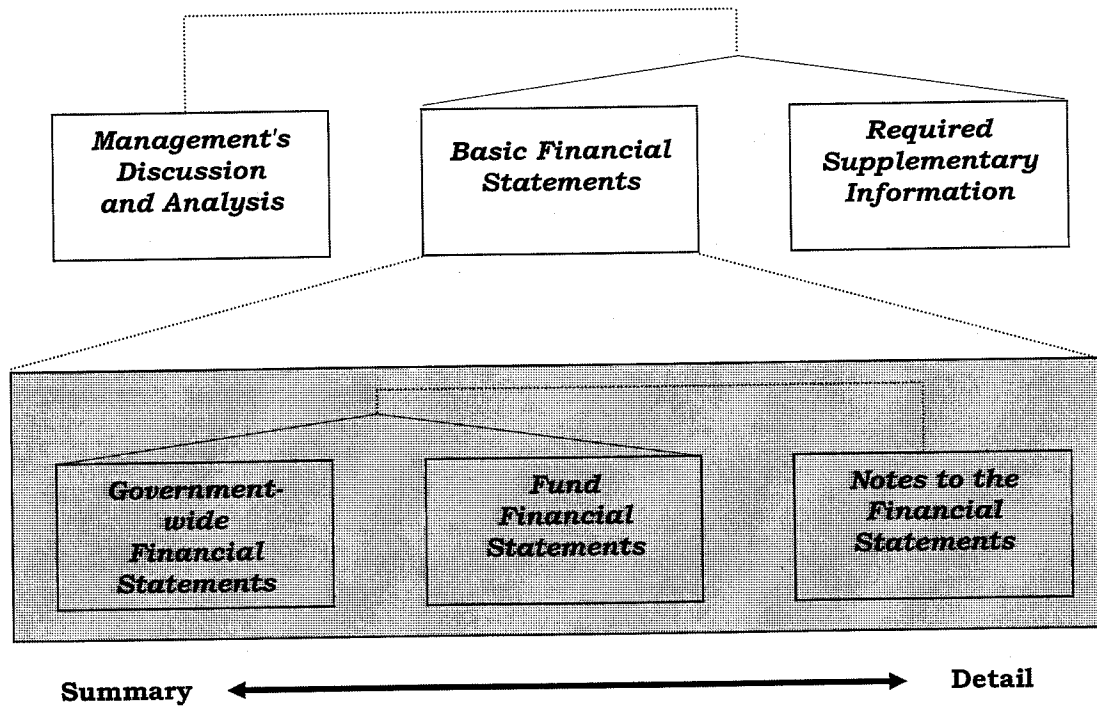


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust Funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,360,187	3,531,538	43,220	22,101	4,403,407	3,553,639	23.91%
Capital assets	2,195,649	2,314,786	19,824	20,130	2,215,473	2,334,916	-5.12%
Total assets	6,555,836	5,846,324	63,044	42,231	6,618,880	5,888,555	12.40%
Long-term obligations	14,508	22,892	0	0	14,508	22,892	-36.62%
Other liabilities	3,219,379	2,299,149	9,956	4,575	3,229,335	2,303,724	40.18%
Total liabilities	3,233,887	2,322,041	9,956	4,575	3,243,843	2,326,616	39.42%
Net assets:							
Invested in capital assets, net of related debt	2,195,649	2,314,786	19,824	20,130	2,215,473	2,334,916	-5.12%
Restricted	835,702	623,158	0	0	835,702	623,158	34.11%
Unrestricted	290,598	586,339	33,264	17,526	323,862	603,865	-46.37%
Total net assets	\$ 3,321,949	3,524,283	53,088	37,656	3,375,037	3,561,939	-5.25%

The District's combined net assets decreased by 5.25%, or \$186,902, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$212,544, or 34.11% over the prior year. The increase was primarily a result of the increases in the Capital Projects Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$280,003, or 46.37%. This decrease in unrestricted net assets was primarily the result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 365,013	347,268	163,107	146,541	528,120	493,809	6.95%
Operating grants and contributions and restricted interest	791,982	655,176	116,986	110,724	908,968	765,900	18.68%
Capital grants and contributions and restricted interest	11,580	35,569	0	0	11,580	35,569	-67.44%
General revenues:							
Local tax	1,882,245	1,756,945	0	0	1,882,245	1,756,945	7.13%
Local option sales and services tax	230,958	334,944	0	0	230,958	334,944	-31.05%
Unrestricted state grants	2,009,963	1,903,295	0	0	2,009,963	1,903,295	5.60%
Other	109,150	90,356	0	0	109,150	90,356	20.80%
Transfers	(2,238)	(14,884)	2,238	14,384	0	(500)	100.00%
Total revenues and transfers	5,398,653	5,108,669	282,331	271,649	5,680,984	5,380,318	5.59%
Program expenses:							
Governmental activities:							
Instruction	3,472,650	3,258,024	0	0	3,472,650	3,258,024	6.59%
Support services	1,856,027	1,575,860	5,203	633	1,861,230	1,576,493	18.06%
Non-instructional programs	1,000	0	261,696	245,162	262,696	245,162	7.15%
Other expenses	271,310	278,292	0	0	271,310	278,292	-2.51%
Total expenses	5,600,987	5,112,176	266,899	245,795	5,867,886	5,357,971	9.52%
Change in net assets	(202,334)	(3,507)	15,432	25,854	(186,902)	22,347	936.36%
Beginning net assets	3,524,283	3,527,790	37,656	11,802	3,561,939	3,539,592	0.63%
Ending net assets	\$ 3,321,949	3,524,283	53,088	37,656	3,375,037	3,561,939	-5.25%

In fiscal 2008, property tax and unrestricted state grants account for 72.10% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.21% of the revenue from business type activities.

The District's total revenues were approximately \$5.68 million of which \$5.40 million was for governmental activities and less than \$0.28 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.59% increase in revenues and a 9.52% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$5,398,653 and expenses were \$5,600,987.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,472,650	3,258,024	6.59%	2,506,391	2,438,791	2.77%
Support services	1,856,027	1,575,860	17.78%	1,839,710	1,572,936	16.96%
Non-instructional	1,000	0	100.00%	1,000	0	100.00%
Other expenses	271,310	278,292	-2.51%	85,311	62,436	36.64%
Totals	\$ 5,600,987	5,112,176	9.56%	4,432,412	4,074,163	8.79%

- The cost financed by users of the District's programs was \$365,013.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$791,982.
- The net cost of governmental activities was financed with \$1,882,245 in property tax, \$2,009,963 in unrestricted state grants, \$230,958 in local option sales and service tax, \$89,347 in interest income, and \$19,803 in other general revenue.

Business-Type Activities

Revenues of the District's business-type activities were \$282,331 and expenses were \$266,899. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Southern Cal Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,140,808, a decrease from last year's ending fund balance of a \$1,232,389. However, the primary reason for the decrease in combined fund balances in fiscal 2008 is due to the decrease in the District's General Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position changed from \$595,118 to \$300,904. Although revenues increased as compared to fiscal 2007, the increase in revenues was not enough to offset the increase in General Fund expenditures. The expenditures increased, due to the increase in negotiated salary and benefits, as well as existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$451,248 to \$422,605, due in part to increase in facilities acquisition expenditures. Expenditures exceeded revenues in the PPEL Fund by \$28,643. Even with the sale of real property and the transfer of \$22,716 from the Activity Fund, the fund balance decreased.
- The Management Levy fund balance increased from \$105,706 in 2007, to \$136,107 in 2008, due to the increase in local tax revenue.

-
- The Capital Projects fund balance increased during the current year, from a zero balance to \$216,986. The Capital Projects fund assists the District in maintaining its infrastructure and creating the funding for future projects.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$37,656 at June 30, 2007 to \$53,088 at June 30, 2008, representing an increase of 40.98%. This dramatic rise can be attributed in part to the Nutrition Fund receiving capital contributions from the PPEL Fund for new kitchen equipment as well as an increase in meal prices and staff reduction.

Without taking capital contributions into consideration, the Nutrition Fund still had revenues exceeding expenditures by \$13,194. While fund expenditures remained steady as compared to the previous year, fund revenues increased by nearly \$10,682.

BUDGETARY HIGHLIGHTS

The District's revenues were \$73,188 more than budgeted revenues, a variance of 1.31%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

During the year ended June 30, 2008, disbursements in the other expenditures function exceeded the amounts budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$2.22 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$211,011.

The original cost of the District's capital assets was \$7,392,867. Governmental funds account for \$7,267,175, with the remainder of \$125,692 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District's investment in land totaled \$34,051 at June 30, 2008, compared to \$42,564 reported at June 30, 2007. The difference was contributable to the sale of the Lincoln Elementary property.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 34,051	42,564	0	0	34,051	42,564	-20.00%
Buildings	1,365,396	1,489,402	0	0	1,365,396	1,489,402	-8.33%
Land improvements	279,686	254,225	0	0	279,686	254,225	10.02%
Machinery and equipment	516,516	528,595	19,824	20,130	536,340	548,725	-2.26%
Total	\$ 2,195,649	2,314,786	19,824	20,130	2,215,473	2,334,916	-5.12%

Long-Term Debt

At June 30, 2008, the District had \$14,508 in long-term debt outstanding. This represents a decrease of 36.62% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had \$3,954 outstanding in compensated absences payable from the General Fund as of June 30, 2008.

At June 30, 2008, the District had \$10,554 in early retirement benefit that is to be paid from the Special Revenue, Management Levy Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Compensated absences	\$ 3,954	3,812	3.73%
Early Retirement	10,554	19,080	-44.69%
Totals	\$ 14,508	22,892	-36.62%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding between state revenues and property taxes.
- The District has started to receive local option sales and service tax; with these monies they will be able to fund new projects and take care of necessary expenditures in the future.
- Forecasts for higher utility costs and gas/diesel fuel in the fall and winter of 2008 will require constant monitoring. Fluctuations of great magnitude in utility costs and gas/diesel fuel will negatively impact the General Fund budget.
- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Collins, District Secretary, Southern Cal Community School District, 709 West Main Street, Lake City, Iowa, 51449.

BASIC FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 621,767	0	621,767
Other	1,421,290	36,791	1,458,081
Receivables:			
Property tax:			
Delinquent	27,453	0	27,453
Succeeding year	2,139,560	0	2,139,560
Accounts	31,930	5	31,935
Accrued interest (Note 4)	4,003	0	4,003
Due from other governments	114,184	0	114,184
Inventories	0	6,424	6,424
Capital assets, net of accumulated depreciation (Note 5)	2,195,649	19,824	2,215,473
TOTAL ASSETS	6,555,836	63,044	6,618,880
LIABILITIES			
Accounts payable	41,115	0	41,115
Salaries and benefits payable	408,812	6,569	415,381
ISCAP warrants payable (Note 4)	618,000	0	618,000
ISCAP accrued interest payable (Note 4)	4,325	0	4,325
ISCAP unamortized premium	7,567	0	7,567
Deferred revenue:			
Succeeding year property tax	2,139,560	0	2,139,560
Unearned revenue	0	3,387	3,387
Long-term liabilities (Note 6):			
Portion due within one year:			
Compensated absences	3,954	0	3,954
Early retirement	6,621	0	6,621
Portion due after one year:			
Early retirement	3,933	0	3,933
TOTAL LIABILITIES	3,233,887	9,956	3,243,843
NET ASSETS			
Invested in capital assets, net of related debt	2,195,649	19,824	2,215,473
Restricted for:			
Beginning teacher mentoring	773	0	773
Professional development	1	0	1
Market factor incentives	4,106	0	4,106
Market factor	1,472	0	1,472
Management levy	125,553	0	125,553
Physical plant and equipment levy	422,605	0	422,605
Capital projects	216,986	0	216,986
Other special revenue purposes	64,206	0	64,206
Unrestricted	290,598	33,264	323,862
TOTAL NET ASSETS	\$ 3,321,949	53,088	3,375,037

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities
Expenses						Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,336,448	150,713	572,392	0	(1,613,343)	0 (1,613,343)
Special instruction	522,718	0	28,537	0	(494,181)	0 (494,181)
Other instruction	613,484	210,092	4,525	0	(398,867)	0 (398,867)
	3,472,650	360,805	605,454	0	(2,506,391)	0 (2,506,391)
Support services:						
Student services	149,470	0	0	0	(149,470)	0 (149,470)
Instructional staff services	190,250	0	0	0	(190,250)	0 (190,250)
Administration services	583,191	0	0	11,580	(571,611)	0 (571,611)
Operation and maintenance of plant services	603,826	0	0	0	(603,826)	0 (603,826)
Transportation services	329,290	4,208	529	0	(324,553)	0 (324,553)
	1,856,027	4,208	529	11,580	(1,839,710)	0 (1,839,710)
Non-instructional programs:						
Food service operations	1,000	0	0	0	(1,000)	0 (1,000)
	1,000	0	0	0	(1,000)	0 (1,000)
Other expenditures:						
AEA flowthrough	185,999	0	185,999	0	0	0 0
Depreciation(unallocated)*	85,311	0	0	0	(85,311)	0 (85,311)
	271,310	0	185,999	0	(85,311)	0 (85,311)
Total governmental activities	5,600,987	365,013	791,982	11,580	(4,432,412)	0 (4,432,412)
Business-Type activities:						
Support services:						
Operation and maintenance of plant services	5,203	0	0	0	0	(5,203) (5,203)
Non-instructional programs:						
Nutrition services	261,696	163,107	116,986	0	0	18,397 18,397
Total business-type activities	266,899	163,107	116,986	0	0	13,194 13,194
Total	\$ 5,867,886	528,120	908,968	11,580	(4,432,412)	13,194 (4,419,218)
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,882,245	0	1,882,245
Local option sales and service tax				230,958	0	230,958
Unrestricted state grants				2,009,963	0	2,009,963
Unrestricted investment earnings				89,347	0	89,347
Other general revenues				19,803	0	19,803
Transfers				(2,238)	2,238	0
Total general revenues and transfers				4,230,078	2,238	4,232,316
Change in net assets				(202,334)	15,432	(186,902)
Net assets beginning of year				3,524,283	37,656	3,561,939
Net assets end of year				\$ 3,321,949	53,088	3,375,037

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP (Note 4)	\$ 621,767	0	0	621,767
Other	697,828	422,605	300,857	1,421,290
Receivables:				
Property tax:				
Delinquent	27,453	0	0	27,453
Succeeding year	2,039,560	0	100,000	2,139,560
ISCAP accrued interest (Note 4)	4,003	0	0	4,003
Accounts	29,672	0	2,258	31,930
Due from other governments	0	0	114,184	114,184
TOTAL ASSETS	\$ 3,420,283	422,605	517,299	4,360,187
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	41,115	0	0	41,115
Salaries and benefits payable	408,812	0	0	408,812
ISCAP warrants payable (Note 4)	618,000	0	0	618,000
ISCAP accrued interest payable (Note 4)	4,325	0	0	4,325
ISCAP unamortized premium	7,567	0	0	7,567
Deferred revenue:				
Succeeding year property tax	2,039,560	0	100,000	2,139,560
Total liabilities	3,119,379	0	100,000	3,219,379
Fund balances:				
Reserved for:				
Beginning teacher mentoring	773	0	0	773
Professional development	1	0	0	1
Market factor	1,472	0	0	1,472
Market factor incentives	4,106	0	0	4,106
Unreserved:				
General	294,552	0	0	294,552
Physical plant and equipment levy	0	422,605	0	422,605
Capital Projects	0	0	216,986	216,986
Management levy	0	0	136,107	136,107
Other special revenue purposes	0	0	64,206	64,206
Total fund balances	300,904	422,605	417,299	1,140,808
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,420,283	422,605	517,299	4,360,187

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ 1,140,808

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 2,195,649

Long-term liabilities, including compensated absences and
early retirement, are not due and payable in the current
period and, therefore, are not reported as liabilities in
the governmental funds. (14,508)

Net assets of governmental activities (page 14) \$ 3,321,949

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,782,461	0	330,742	2,113,203
Tuition	138,182	0	0	138,182
Other	110,722	0	229,784	340,506
State sources	2,560,786	0	73,286	2,634,072
Federal sources	163,348	11,580	0	174,928
Total revenues	4,755,499	11,580	633,812	5,400,891
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,305,649	1,267	39,158	2,346,074
Special instruction	522,718	0	0	522,718
Other instruction	407,898	0	203,487	611,385
	3,236,265	1,267	242,645	3,480,177
Support services:				
Student services	149,470	0	0	149,470
Instructional staff services	170,639	19,611	0	190,250
Administration services	571,289	0	9,918	581,207
Operation and maintenance of plant services	436,401	10,318	102,552	549,271
Transportation services	305,251	0	12,923	318,174
	1,633,050	29,929	125,393	1,788,372
Non-instructional programs:				
Food service operations	0	0	1,000	1,000
	0	0	1,000	1,000
Other expenditures:				
Facilities acquisition	0	56,147	10,782	66,929
AEA flowthrough	185,999	0	0	185,999
	185,999	56,147	10,782	252,928
Total expenditures	5,055,314	87,343	379,820	5,522,477
Excess(deficiency) of revenues over (under) expenditures	(299,815)	(75,763)	253,992	(121,586)
Other financing sources(uses):				
Transfers in	0	22,716	0	22,716
Transfers out	0	0	(22,716)	(22,716)
Sale of real property	5,601	24,404	0	30,005
Total other financing sources(uses)	5,601	47,120	(22,716)	30,005
Net change in fund balances	(294,214)	(28,643)	231,276	(91,581)
Fund balance beginning of year	595,118	451,248	186,023	1,232,389
Fund balance end of year	\$ 300,904	422,605	417,299	1,140,808

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds(page 18) \$ (91,581)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Amounts for capital outlay expenditures, depreciation expense and loss on the disposal of assets, are as follows:

Capital outlay expenditures	\$ 217,238	
Depreciation expense	(208,467)	
Loss on disposal of assets	<u>(127,908)</u>	(119,137)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	\$ (142)	
Early Retirement	<u>8,526</u>	<u>8,384</u>

Changes in net assets of governmental activities(page 15) \$ (202,334)

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 36,791
Accounts receivable	5
Inventories	6,424
Capital assets, net of accumulated depreciation(Note 5)	19,824
TOTAL ASSETS	<u>63,044</u>
LIABILITIES	
Accounts payable	4,309
Salary and benefits payable	2,260
Unearned revenues	3,387
TOTAL LIABILITES	<u>9,956</u>
NET ASSETS	
Invested in capital assets	19,824
Unrestricted	33,264
TOTAL NET ASSETS	<u>\$ 53,088</u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 157,871
Other local revenue	5,236
TOTAL OPERATING REVENUES	<u>163,107</u>
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant services:	
Services	<u>5,203</u>
Non-instructional programs:	
Food service operations:	
Salaries	73,003
Benefits	31,382
Services	290
Supplies	154,477
Depreciation	2,544
Total non-instructional programs	<u>261,696</u>
TOTAL OPERATING EXPENSES	<u>266,899</u>
OPERATING LOSS	<u>(103,792)</u>
NON-OPERATING REVENUES:	
State sources	3,237
Federal sources	113,749
TOTAL NON-OPERATING REVENUES	<u>116,986</u>
Change in net assets before other financing sources	13,194
Other financing sources:	
Capital contributions	<u>2,238</u>
Changes in net assets	15,432
Net assets beginning of year	<u>37,656</u>
Net assets end of year	<u>\$ 53,088</u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 158,470
Cash received from miscellaneous	5,236
Cash payments to employees for services	(103,832)
Cash payments to suppliers for goods or services	(143,845)
Net cash used in operating activities	<u>(83,971)</u>
Cash flows from non-capital financing activities:	
State grants received	3,237
Federal grants received	100,553
Net cash provided by non-capital financing activities	<u>103,790</u>
Net increase in cash and cash equivalents	19,819
Cash and cash equivalents at beginning of year	<u>16,972</u>
Cash and cash equivalents at end of year	<u>\$ 36,791</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (103,792)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,196
Depreciation	2,544
Increase in inventories	(1,380)
Decrease in accounts receivable	80
Increase in accounts payable	4,309
Increase in salaries and benefits payable	553
Increase in unearned revenue	519
Net cash used in operating activities	<u>\$ (83,971)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 36,791</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received
Federal commodities valued at \$13,196.

During the year ended June 30, 2008, the Nutrition Fund received
capital contributions of \$2,238 from the Physical Plant and
Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2008

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 500
Liabilities	
	0
Net assets	
Reserved for scholarships	\$ 500

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 500</u>
Deductions:	
Instruction:	
Scholarships awarded	<u> 500</u>
Change in net assets	0
Net assets beginning of year	<u> 500</u>
Net assets end of year	<u><u>\$ 500</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Southern Cal Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Lake City and Lohrville, Iowa, and the predominate agricultural territory in Calhoun, Sac, Greene and Carroll Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Southern Cal Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southern Cal Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Calhoun, Sac, Greene and Carroll Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's Non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue - Physical Plant and Equipment Levy (PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level.

During the year ended June 30, 2008, disbursements in the other expenditures function exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as of June 30, 2008 as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 1,227,451</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue, Activity Fund	Special Revenue, Physical Plant and Equipment Levy	<u>\$ 22,716</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 257,825	3,865	257,000	4,187
2008-09A	6/26/08	6/25/09	363,942	138	361,000	138
Total			<u>\$ 621,767</u>	<u>4,003</u>	<u>618,000</u>	<u>4,325</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund for the year ended June 30, 2008 was noted.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,564	0	8,513	34,051
Total capital assets not being depreciated	42,564	0	8,513	34,051
Capital assets being depreciated:				
Buildings	3,840,541	50,301	449,297	3,441,545
Land improvements	615,861	52,108	0	667,969
Machinery and equipment	3,080,434	114,829	71,653	3,123,610
Total capital assets being depreciated	7,536,836	217,238	520,950	7,233,124
Less accumulated depreciation for:				
Buildings	2,351,139	58,664	333,654	2,076,149
Land improvements	361,636	26,647	0	388,283
Machinery and equipment	2,551,839	123,156	67,901	2,607,094
Total accumulated depreciation	5,264,614	208,467	401,555	5,071,526
Total capital assets being depreciated, net	2,272,222	8,771	119,395	2,161,598
Governmental activities capital assets, net	\$ 2,314,786	8,771	127,908	2,195,649

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 123,454	2,238	0	125,692
Less accumulated depreciation	103,324	2,544	0	105,868
Business-type activities capital assets, net	\$ 20,130	(306)	0	19,824

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 81,929
Other	2,099
Support services:	
Administration	1,984
Operation and maintenance of plant	7,040
Transportation	30,104
Unallocated depreciation	85,311
Total governmental activities depreciation expense	\$ 208,467
Business-type activities:	
Food services	\$ 2,544

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated Absences	\$ 3,812	3,954	3,812	3,954	3,954
Early retirement	19,080	0	8,506	10,574	6,621
Total	\$ 22,892	3,954	12,318	14,528	10,575

Early Retirement

The District offered a voluntary early retirement plan to full-time certified employees on a year by year basis at the discretion of the District's Board of Education. Eligible employees must have completed at least seventeen years of service with the District and be at least fifty-eight years old. Employees must have completed an application which was required to be approved by the District's Board of Education. Early retirement benefits were calculated to equal half of the employees' salary schedule, excluding extra duty, extra-curricular, Phase II and Phase III monies, teacher compensation funds or other payments not included in the salary schedule. Early retirement benefits were not to exceed a cash payment of \$20,000 per employee. Employees may elect to continue their existing single or family coverage under the District's health insurance plan as long as the monthly premiums are paid and the insurer allows the employee coverage. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Early retirement expenditures for the year ended June 30, 2008 totaled \$8,506.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007, and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$180,313, \$161,784 and \$147,738, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and accidental death and dismemberment. District contributions to ISEBA for the year ended June 30, 2008 were \$34,708.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$185,999 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2008, disbursements in the other expenditures function exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,591,891	163,107	2,754,998	2,745,192	2,745,192	9,806
State sources	2,634,072	3,237	2,637,309	2,542,604	2,542,604	94,705
Federal sources	174,928	113,749	288,677	320,000	320,000	(31,323)
Total revenues	5,400,891	280,093	5,680,984	5,607,796	5,607,796	73,188
Expenditures:						
Instruction	3,480,177	0	3,480,177	3,662,254	3,662,254	182,077
Support services	1,788,372	5,203	1,793,575	1,884,331	1,884,331	90,756
Non-instructional programs	1,000	261,696	262,696	349,514	349,514	86,818
Other expenditures	252,928	0	252,928	252,837	252,837	(91)
Total expenditures	5,522,477	266,899	5,789,376	6,148,936	6,148,936	359,560
Excess(Deficiency) of revenues over(under) expenditures	(121,586)	13,194	(108,392)	(541,140)	(541,140)	432,748
Other financing sources, net	30,005	2,238	32,243	5,000	5,000	27,243
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(91,581)	15,432	(76,149)	(536,140)	(536,140)	459,991
Balance beginning of year	1,232,389	37,656	1,270,045	991,312	991,312	278,733
Balance end of year	\$ 1,140,808	53,088	1,193,896	455,172	455,172	738,724

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2008, disbursements in the other expenditures function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenues Funds				Total
			Total		Other
	Student	Manage-	Special	Capital	Nonmajor
	Activity	ment	Revenue	Projects	Governmental
		Levy	Funds		Funds
Assets					
Cash and pooled investments	\$ 64,206	134,570	198,776	102,081	300,857
Receivables:					
Property tax:					
Current year delinquent	0	1,537	1,537	0	1,537
Succeeding year	0	100,000	100,000	0	100,000
Accounts	0	0	0	721	721
Due from other governments	0	0	0	114,184	114,184
Total Assets	\$ 64,206	236,107	300,313	216,986	517,299
Liabilities and Fund Balances					
Liabilities					
Deferred revenue:					
Succeeding year property tax	\$ 0	100,000	100,000	0	100,000
Fund balances:					
Unreserved	64,206	136,107	200,313	216,986	417,299
Total fund balances	64,206	136,107	200,313	216,986	417,299
Total Liabilities and Fund Balances	\$ 64,206	236,107	300,313	216,986	517,299

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total
	Student	Management	Special	Capital	Other
	Activity	Levy	Revenue	Projects	Nonmajor
			Funds		Governmental
					Funds
REVENUES:					
Local sources:					
Local tax	\$ 0	99,785	99,785	0	99,785
Local option sales and service tax	0	0	0	230,957	230,957
Other	210,092	7,783	217,875	11,909	229,784
State sources	0	68	68	73,218	73,286
TOTAL REVENUES	210,092	107,636	317,728	316,084	633,812
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	0	28,694	28,694	10,464	39,158
Other instruction	203,487	0	203,487	0	203,487
Support services:					
Administration services	0	5,276	5,276	4,642	9,918
Operation and maintenance of					
plant services	0	29,342	29,342	73,210	102,552
Student transportation	0	12,923	12,923	0	12,923
Non-instructional programs:					
Food service operations	0	1,000	1,000	0	1,000
Other expenditures:					
Facilities acquisitions	0	0	0	10,782	10,782
TOTAL EXPENDITURES	203,487	77,235	280,722	99,098	379,820
Excess of revenues					
over expenditures	6,605	30,401	37,006	216,986	253,992
OTHER FINANCING USES:					
Transfers out	(22,716)	0	(22,716)	0	(22,716)
Net change in fund balance	(16,111)	30,401	14,290	216,986	231,276
Fund balance beginning of year	80,317	105,706	186,023	0	186,023
Fund balance end of year	\$ 64,206	136,107	200,313	216,986	417,299

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activities:				
Academic Competitions	\$ 848	99	0	947
Activity Tickets	0	9,426	9,396	30
Athletic Awards	0	1,661	1,661	0
Baseball	285	573	0	858
Softball	0	2,354	2,354	0
Basketball	2,685	8,935	9,390	2,230
Cross Country	2,004	2,552	3,242	1,314
Speech	824	1,606	1,191	1,239
Football	5,098	11,889	10,724	6,263
Golf	1,263	1,680	1,568	1,375
Music	38	5,183	5,249	(28)
Music Awards	0	776	878	(102)
Football Camp	4,566	14,060	16,365	2,261
Girls Basketball Camp	175	2,180	1,357	998
Boys Basketball Camp	1,734	3,656	3,522	1,868
Track Resurfacing	22,716	0	22,716	0
Track	2,441	9,158	10,347	1,252
Volleyball	1,061	9,546	9,596	1,011
Wrestling	780	2,978	2,629	1,129
State Athletic Competitions	3,700	12,252	12,015	3,937
Drama	317	1,081	873	525
	50,535	101,645	125,073	27,107
Classes:				
Elementary	554	0	6	548
Class of 2007	0	100	100	0
Class of 2008	3,210	1,318	4,528	0
Class of 2009	4,242	13,084	13,378	3,948
Class of 2010	598	2,402	359	2,641
Class of 2011	0	1,730	426	1,304
	8,604	18,634	18,797	8,441
Clubs/Organizations:				
Assoc. Foreign Students	129	0	0	129
FB & BB Cheerleaders	83	6,830	6,831	82
Dance Team	1,008	5,303	3,534	2,777
National Honor Society	285	200	0	485
Student Council	1,269	1,293	808	1,754
Leadership Activities	249	396	0	645
	3,023	14,022	11,173	5,872

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Accounts:				
Interest	0	2,151	2,151	0
General Athletics	5,528	3,142	3,733	4,937
Field Trips	0	857	857	0
7-12 Projects	2,819	65	1,454	1,430
Public Relations	0	793	793	0
	8,347	7,008	8,988	6,367
School Projects:				
Annual	2,050	7,110	5,246	3,914
4-6 Yearbook	380	0	0	380
7-8 Yearbook	67	175	192	50
Curtain Fund	3,001	0	0	3,001
HS Pop Machines	0	7,622	7,422	200
Elementary Student Council	59	0	13	46
Art Projects	0	105	79	26
Vending Machines	0	0	0	0
Tech Trends	0	974	974	0
Booster Club	0	30	30	0
	5,857	16,016	14,256	7,617
Student Resale Items:				
Home Ec Resale	0	753	753	0
Vocational Organizations:				
FFA	2,145	51,886	46,425	7,606
HOSA	406	0	136	270
	2,551	51,886	46,561	7,876
Transfer Accounts:				
Student Fees	0	128	128	0
Other Accounts:				
Football Sign Fundraiser	1,400	0	474	926
Total	\$ 80,317	210,092	226,203	64,206

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	2,113,203	2,091,889	1,917,997	1,866,376	2,116,535
Tuition		138,182	135,802	98,028	131,576	93,216
Other		340,506	296,519	270,932	225,587	219,367
Intermediate sources		0	0	0	0	11,510
State sources		2,634,072	2,382,174	2,397,510	2,359,933	2,083,026
Federal sources		174,928	198,668	166,716	186,292	170,190
Total	\$	5,400,891	5,105,052	4,851,183	4,769,764	4,693,844
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	2,346,074	2,125,130	2,109,405	1,995,247	1,951,514
Special instruction		522,718	467,570	522,280	507,746	531,786
Other instruction		611,385	590,928	529,754	540,921	434,826
Support services:						
Student services		149,470	140,885	187,915	214,235	225,416
Instructional staff services		190,250	183,829	247,289	180,399	143,133
Administration services		581,207	512,647	438,969	436,747	433,748
Operation and maintenance of plant services		549,271	506,917	507,032	540,056	544,005
Transportation services		318,174	305,514	220,760	259,764	169,776
Non-instructional programs		1,000	0	0	5,315	5,541
Other expenditures:						
Facilities acquisitions		66,929	68,306	80,870	0	0
AEA flowthrough		185,999	180,287	175,739	175,873	178,412
Total	\$	5,522,477	5,082,013	5,020,013	4,856,303	4,618,157

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Southern Cal Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Cal Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southern Cal Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southern Cal Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southern Cal Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Southern Cal Community School District's financial statements that is more than inconsequential will not be prevented or detected by Southern Cal Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Southern Cal Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Cal Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southern Cal Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Southern Cal Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southern Cal Community School District and other parties to whom Southern Cal Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southern Cal Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson PC", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2009

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that cash and checks received at the building are prepared for deposit by the District's Business Manager and deposited at the bank by the Superintendent's secretary. All other monies are electronically deposited into the District's accounts. Both the Business Manager and the Activity/Nutrition secretary prepare cash receipts journals for their respective funds. The Superintendent's secretary counts and receipts money received within the District which is accompanied by a cash record sheet completed by coaches, sponsors for Activity Fund accounts and nutrition personnel.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate available alternatives.

Conclusion - Response accepted.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008 exceeded the amount budgeted in the other expenditures program area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Coding of corrections to the other expenditures and operation and maintenance of plant services were made at the close of the fiscal year to meet the Department of Education coding guidelines. Those expenditures were originally coded to support services where the budget capacity existed. For future budgeting, the correct amounts are being appropriated and the budget will be amended as necessary.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted disbursements paid from the Student Activity Fund for Chamber Bucks that were subsequently given to students as incentive prizes for FFA fruit and meat sales. Expenditures for Chamber Bucks may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review procedures to ensure that all expenditures meet the requirements of the Attorney General's opinion of April, 25, 1979.

Response - The FFA advisor will seek incentives from the product vendors. The Administration and the Board of Directors will continue to support the rewards for testing achievement and growth for No Child Left Behind as well as state achievement indicators. The Administration may investigate incentives which do not require purchases in the future or seek sponsorship of purchased incentives.

Conclusion - Response accepted.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Scott Nesbitt, Teacher Painter	Score Board	\$160
Bryan Case, Football Coach Mowing	Football Field	\$500

In accordance with the Attorney General's opinion, dated July 2, 1990 of the code of Iowa, the above transactions do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required for the activity fund.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - We have contacted the financial institution and are receiving the fronts and backs of the checks.

Conclusion - Response accepted.

- II-K-08 Signing of Officiating Contracts - We noted during our audit that the Athletic Director was signing officiating contracts on behalf of the District.

Recommendation - Section 291.1 of the Code of Iowa, states that the president of the board of directors shall sign all contracts entered into by the District.

Response - All contracts reviewed were finalized before September 2007. Officiating contracts are being signed in accordance with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.